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Chapter 3

Financialization, New Investment Funds, and Weakened Labour: The Case of the UK

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Introduction

The activities of New Investment Funds (NIFs) are more extensive in the UK than any other European country and in most respects come second only to the US. The UK is notable for being the home for a large number of private equity (PE) and hedge fund (HF) managers, and is also an important regional centre for the management of Sovereign Wealth Funds (SWFs) based elsewhere. Investments by these funds in portfolio companies operating in the UK are also the largest in Europe.

PE, and to a somewhat lesser extent HFs, has been controversial in the UK. There was a heated public debate in the mid-2000s on the impact of PE and the extent to which it secured returns at the expense of employees and taxpayers. With the onset of the financial crisis from 2007 onwards, the level of activity and the salience of these funds declined somewhat, but company failures attributed to the PE business model meant that PE continued to be controversial. Financial instability has also raised concerns about HFs. The takeover of Cadbury in 2010, in which activist and event-driven HFs played a part, re-awakened political debates about ownership, takeovers, and the distribution of returns from corporate activity. SWFs have attracted much less public interest, but this may change as the scale and focus of their activities in the UK continues to develop. SWFs now own the flagship London department store Harrods and have significant ownership stakes in other well-known British companies and institutions such as the supermarket chain J.Sainsbury and Heathrow Airport.

The UK has been seen as an especially favourable locale for NIF activity because of the nature of its regulatory and taxation regimes. The broader business and financial context in the UK has also provided a favourable environment for NIF activities to develop. We provide an outline of this context, prior to considering key features of the regulatory and fiscal regimes. We then proceed to outline the main dimensions of activity of PE, HFs, and SWFs respectively. The possible impact of NIF activity on work, employment, and labour relations are then considered. The bulk of the evidence relates to PE, in part because it is easier to trace the direct role of PE than the other investment funds and in part because academic research has concentrated on PE. The chapter then considers the impact of the financial crisis, and illuminates this with some short case studies. These show that PE in particular does not inevitably have adverse effects on labour but elements of the business model render PE-backed firms vulnerable during adverse economic circumstances.

The UK Context

In the UK, PE, HFs, and SWFs have come to prominence in the last fifteen years, though they are by no means new. The UK is second only to the US in terms of the size of funds managed from the country, though not all monies invested in these funds are generated in the UK, and the funds themselves are typically registered offshore. The UK is also the second largest site of NIF portfolio investments, including SWF investments.

There are several important contextual features which help to explain why the UK is such an important centre for raising and investing capital by NIFs. The UK has been an important global centre for ‘finance capitalism’ for many years, exemplified by the prominent and long-standing role of the City of London in global asset management (Kay 2012). A variety of features underpin this position, including a well-developed network of financial support services and intermediaries along with a stable and ‘business friendly’ regulatory environment. Since ‘Big Bang’ in the mid-1980s, when barriers to entry to the City were

substantially removed, London has become more open to overseas financial intermediaries and similar actors (Augar 2001).

A broader context is the national 'business system'. The UK, along with the US, has been characterized as a liberal market economy (LME), notable for a reliance on markets to coordinate economic activity rather than relational or regulatory means (Hall and Soskice 2001). In this respect, the UK differs from most of the other countries in this book, some of which (especially Germany and Japan) have been said to take the form of Coordinated Market Economies. A key aspect of the emphasis on markets in the UK has been a concern amongst a broad coalition of financial services firms, supported until recently by all political parties, to maintain low, and even to reduce, regulatory barriers to business operations. The over-riding philosophy has been that market discipline functions as an effective alternative to formal regulation (Fioretos 2010). As a result, a distinguishing characteristic of the UK is the near absence of regulatory obstacles to foreign takeovers of UK companies. There are also few restrictions on the movement of capital in and out of the country. Employment protection is also viewed as being relatively weak (Venn 2009), with limited regulation facilitating the restructuring activities of NIFs. At the same time, business law and regulation is viewed as stable and transparent, with rights and obligations of investors clearly established (Kay 2012).

Well-developed equity markets in the UK, in the form of high liquidity, transparency, and minority investor protection, have offered opportunities for NIFs to acquire ownership stakes in listed companies. In some cases PE has taken listed firms private, as in the case of Boots the Chemist and Four Seasons Health Care, which will be discussed below. Activist HFs and SWFs have been able to acquire often sizeable stakes in companies listed on the London stock market, such as National Express and Sainsburys. In addition, liquid equity markets have facilitated exits for NIFs via share sales (in the case of HFs) and flotations (for PE), and have provided *ex ante* encouragement for NIF acquisitions. Groh *et al.* (2012) argue that investor protection, corporate governance arrangements, and the size and liquidity of

equity markets have been the key differences between the UK and other European countries, and help to explain why the UK has persistently been near the top of their Private Equity Attractiveness Index.

Although well-developed equity markets have facilitated NIF activity, paradoxically a recent contraction in the main equity markets has provided opportunities for some NIFs such as PE. The number of companies listed on the London Stock Exchange has reduced substantially from nearly 1,700 UK listed companies in 2000 to around 1,000 in 2012. The recent Kay Report on Short-Termism has suggested a number of reasons for this, including the costs of listing, the more favourable tax treatment of debt (against equity), regulatory changes for insurance and pension funds reducing the amount invested in equities, the cost of equity capital (due to the high cost of financial intermediation), the cost burden of extensive information disclosure, and the growth of an ethos emphasising transitory ownership and trading arising in part from the development of diversified financial corporations based on the US model (Kay 2012: 24-27). As a result, private, rather than public, ownership has become more attractive, and this has provided fertile territory for the operation of PE fund managers.

These developments are paralleled reflected by major changes in the ownership of those companies that remain listed. Whereas in 1990 ownership of the listed sector was dominated by domestic insurance and pension funds and by individual shareholders, by 2010 these accounted for just twenty five per cent of the market value of UK quoted shares (Central Statistical Office 2012). Ownership by pension funds, in particular, has shrunk from over thirty per cent to just five per cent. In part, this reflects a change in investment strategies of pension funds away from equities to other asset classes such as PE and HFs. In part, it reflects the growth of outsourcing of pension fund management, the emergence of 'other financial institutions' such as HFs, and of increased investment from outside the UK by investors such as overseas PE funds, HFs, and SWFs (Kay 2012). The Norwegian SWF, for instance, is now one of the biggest holders of UK company shares. In fact, the largest

ownership group recorded in official statistics is now ‘rest of the world’: this includes overseas NIFs and holdings by asset managers whose head office is based outside the UK but who manage assets from UK offices. The US firm BlackRock is currently the largest asset manager in the UK market (Kay 2012: 31).

These changes in the nature of corporate ownership in the UK have profound implications for corporate governance. The now traditional picture of passive institutional shareholders is giving way to a more complex picture of activist and interventionist as well as quiescent governance. Some of these investors have relatively long-term time horizons and are primarily concerned with enhancing the value of portfolio firms; others are more short-termist and focus on changing the distribution of corporate returns. These changes in ownership and governance have a variety of knock-on effects on the management of employment and labour.

New Investment Funds in Practice

Private Equity

Although venture and development capital funds are by no means new, PE buy-outs took off in the UK in the 1980s. Prior to 1981, the Companies Act prohibited the use of assets of target firms as security against leverage incurred by acquirers; repeal of this aspect of company legislation facilitated the development of buy-out funds and activity (Gilligan and Wright 2010). Activity grew substantially, and the UK became the second largest centre for PE activity from the mid-1980s onwards. There have been a number of peaks of activity: the late 1980s, the late 1990s, and the mid-2000s prior to the beginning of the credit crunch in summer 2007. The value of PE buy-outs rose steadily during the period, with particularly marked growth in the mid-2000s. The number of very large PE buy-outs rose in the 2000s (e.g. Boots and EMI), but these are still relatively few in number and have decreased since the onset of the economic crisis.

The UK has the next largest PE sector after the US, and five of the largest PE houses by capital raised are based in the UK (Apax Partners, Permira, Pantheon, 3i, and Charterhouse). Over the ten years to 2010, these PE firms raised £349 billion pounds. There are currently 403 PE firms based in the UK, of which just under half specialise in buy-outs (EVCA 2012). The buy-out houses had £217 billion of funds under investment in 2011. Overall, the total investment of all PE funds (including venture capital (VC) but not including external debt) in 2011 accounted for 0.59 per cent of Gross Domestic Product (EVCA 2012).

PE buy-outs as a proportion of all merger and acquisition (M&A) deals in the UK has risen steadily, reaching a peak of around 60 per cent in 2007 (CMBOR 2008). The scale of PE deals also rose during the 2000s culminating in the acquisition of a Financial Times Stock Exchange (FTSE) 100 company (Boots) by the US fund KKR in 2007. At this time, around 1,300 UK businesses received PE funding each year. The British Private Equity & Venture Capital Association (BVCA) has estimated that PE funding accounts for the employment of around 3 million people in the UK or approximately 20 per cent of private sector employees (BVCA 2011). Since 2007, the number of buy-outs mounted by UK PE houses has declined from 383 to 233 companies, and the number of mega-buy-outs (over £300 million) has fallen from 21 to 10 (with just four in 2009) (EVCA 2012).

Most investments by value by UK PE houses are in buy-outs (81 per cent in 2011) rather than in new ventures (4 per cent) or in investments for growth (9 per cent).¹ About half of new investments by value by UK funds were invested in UK firms, with most of the rest going elsewhere in Europe. Communications, computer and consumer electronics, consumer goods and retail, and care and financial services have been the main sectors of investment by value in 2011. Overall, over 60 per cent of the largest PE-backed firms are in consumer services (BVCA 2012).

Following extensive public and political criticism of PE funds in 2007, a set of voluntary guidelines was accepted by the PE industry in the form of the so-called Walker

Code.² These guidelines require that a portfolio company should publish its annual report and accounts on its website within six months of the end of the fiscal year, including information on the identity of the PE owners and managers, and provide an annual business and financial review similar to those provided by listed companies. PE houses should also publish information on their structure, investment approach, and UK investee companies, along with summary information on the investor base. In addition, information should be regularly provided to the trade association, the BVCA, which should monitor the operation of the guidelines. As for labour, the guidelines recommended that a PE firm should ensure timely and effective communication with employees especially at times of ‘strategic change’, either directly or through its portfolio company. Although these requirements are not legally binding, the Guidelines Monitoring Group reported in 2009 that all 32 PE firms covered were fully compliant (walker-gmg.co.uk).

Hedge Funds

The UK has the largest concentration of HF managers outside the US, with around 20 per cent of global HF assets managed by London-based fund managers (TheCityUK 2012b).

Approximately 80 per cent of European HF investments are managed from London. At the end of 2008, there were just over 800 HFs operating out of London with around \$300 billion of assets under management (AUM). Five of the largest HFs by assets are UK-based: Brevan Howard Asset Management, Man Investments, Barclays Global Investors, Bluebay Asset Management, and Bluecrest Capital Management. About 40,000 people are directly employed in the HF industry in the UK. However, the funds themselves are typically registered offshore for tax treatment.

Most HFs operate directional strategies and are now important actors in UK equity markets. They currently account for thirty seven per cent of average daily trading on the UK market, followed by other high frequency traders (twenty eight per cent) (Kay 2012: 38).

Around ten per cent of HFs operate ‘event-driven’ strategies, attempting to take advantage of ‘special situations’, such as M&As or divestitures. Around fifteen per cent operate a mixture of investment approaches. Only a small proportion are activist funds, with the main activist HF managers based in the UK including The Children’s Investment Fund (TCI) and Audley.

Activist and event-driven HFs grew in importance in the management and governance of UK companies in the mid-2000s (Becht, Franks, and Grant 2010). A prime example is the intervention of US HFs in the UK confectioner Cadbury; this encouraged significant changes of strategy by the company and led ultimately to its takeover by US food company Kraft in 2010. The first encounter was with US activist HF, Trian Fund Management, run by Nelson Peltz. The fund built up ownership of around three per cent in Cadbury Schweppes in 2007 and started to lobby for improvements in performance and changes in company strategy and structure. In particular, Trian pressurized Cadbury to demerge its largely North American beverage division. This campaign was supported by a number of other activist HFs and the Qatari SWF. At the time of Peltz’ intervention, Cadbury embarked on a programme to raise profit margins by reducing the workforce by 7,500 employees and by closing fifteen per cent of its factories. In October 2007, the company announced that its plant in Keynsham, near Bristol, would be closed with the loss of 500 jobs and production transferred to Poland. It was also announced that 200 jobs would go from the Bourneville plant in Birmingham. Various parts of the business in North America and Europe were sold off. Finally, Peltz and others successfully pressurized Cadbury to appoint new senior managers and board members who they thought would be sympathetic to their views of the future of the company.

Cadbury’s reduced size made it vulnerable to a hostile takeover, which came in the form of bid from US food multinational Kraft in 2009. At this point, HFs started to buy Cadbury shares in anticipation that the price would rise and that Kraft would be successful in its bid. Holdings by HFs and short-term traders rose to over thirty per cent by early 2010. The sale of their shares to Kraft then expedited the takeover. Initially Kraft said that it would

keep the Keysham plant open but, within a month of the finalisation of the deal, it announced that the factory would indeed be closed. The UK Business Minister subsequently referred to a ‘lack of straight dealing’ by Kraft.

A classic case of activism occurring in late 2012 was the break-up of industrial materials company Cookson into two separate companies, one focusing on performance materials (Alent PLC) and the other on ceramics (Vesuvius PLC). Alent is viewed as a high-growth business, whereas Vesuvius is seen as a more mature, stable business. The break-up was instigated by the Swedish activist fund Cevian which had built up a twenty per cent stake in Cookson from autumn 2011 and had secured a non-executive director on the company’s board at the Annual General Meeting (AGM) in May 2012. It argued that breaking-up the conglomerate would enhance shareholder value. At the AGM nearly a third of investors had voted against the remuneration report after questions had been raised by Cevian and other activist investors about the size of share awards to the Chief Executive Officer and finance director.

UK-based activist HFs have often conducted their activism in countries other than the UK. Thus TCI played a leading role in the break-up and sale of ABN Amro (see chapter on the Netherlands) to Royal Bank of Scotland (RBS). Although TCI appeared to withdraw from activism during 2009-2010, it has recently resumed activist acquisitions in Australia, India, and Japan, seeking to acquire stock which it perceives to be discounted because of poor corporate governance. In addition, activist HFs have been involved, along with major institutional investors, in the so-called ‘shareholder spring’ in the UK during 2012, whereby investors challenged executive pay deals in a substantial number of companies.

Sovereign Wealth Funds

The UK does not operate a SWF – unlike Norway and more recently France. However, it is an important centre for SWF operations, with most major funds operating a London office.

London's important role emanates from its well-developed asset management and support service base, the openness of the UK to SWF activity, and the important international role of English commercial law (TheCityUK 2012a). The UK is also an important target of SWFs, accounting for 49 per cent of such funds invested in Europe over the period 1995-2009. For its part, the UK government has actively welcomed SWF investment and management activity in the UK. It is also the case that the absence of a 'public interest' criteria in UK takeover regulation facilitates SWF investments in the UK.

SWFs are not a homogenous entity, and distinctions may be drawn between those which acquire their funds from commodities, such as oil, and those whose assets are transferred in from states' foreign exchange reserves, budget surpluses, or privatisation receipts (TheCityUK 2012a). Within the group of commodity-based SWFs, there is variation in the balance of objectives, between stabilisation of national income and long-term wealth creation. Commodity-based SWFs using funds for wealth creation typically have a long-term approach to investment decisions, as they do not have to meet the liabilities faced by other major institutional investment funds such as pension funds and insurance companies (Preqin 2012). Equity investments are especially important, with around 40 per cent of total SWF investments in this asset class (Walker 2011). The long-term focus of SWF investment decisions provides some synergy with PE, and investments in the latter have been increasing. For instance, Apax Partners' Europe VIII fund has attracted nearly 25 per cent of its fund-raising to date from China Investment Corporation (CIC), the Australia Future Fund, and the Government of Singapore Investment Corporation (Preqin 2012). An increasing number of SWFs have also been investing in HFs.

Most SWFs hold relatively small stakes in UK companies (between one and three per cent), but there are examples of larger stakes and these have given rise to media anxiety about the takeover of national assets by overseas funds. For example, in 2012, the Qatar Investment Authority (QIA) had a twenty five per cent stake in the supermarket company J. Sainsbury,

and there has been persistent speculation that this SWF will mount a formal takeover bid. QIA also held a twenty per cent stake in the London Stock Exchange and a seven per cent stake in Barclays Bank. The Singaporean SWF, Temasek, holds an 18.8 per cent in Standard Chartered, a UK banking and finance group. SWFs are also starting to acquire significant interests in British land and property because property tends to generate predictable cash flows which are uncorrelated with equity movements. For instance, the Norwegian SWF has recently acquired a fifty per cent stake in the Meadowhall shopping complex and acquired twenty five per cent ownership of London's Regent Street in 2010. The Abu Dhabi fund has recently acquired a fifteen per cent stake in Gatwick Airport and (along with CIC) a significant share in the parent company of Thames Water.

The Regulatory Environment

The regulatory environment in the UK has had a substantial impact on the extent of activity by NIFs, in terms of number of funds, capital raised, and the volume of investment in portfolio companies. 'Light touch' regulation and taxation of funds and their investors have encouraged the development of funds, whilst limited 'hard law' regulation of takeovers has facilitated investments in UK portfolio companies. The latter has also been assisted by weaker labour regulation than is common in much of Europe. This section reviews salient features of the regulatory regime.

Regulation of Funds and Portfolio Companies

Investment funds

Until recently there was no specific regulation of PE and HFs, but such funds were subject to general aspects of company, securities, and competition law. NIFs have fewer obligations to disclose information on their activities than other types of funds. In essence, they are treated as collections of private investors, and, as they do not usually seek retail market monies, for

the most part they are not covered by regulations governing the sale of investment products. The fund managers of HFs operating in the UK have been required to register with the Financial Services Authority (FSA) and to be approved as 'fit and proper' to conduct investment business, but the funds themselves are not usually registered in the UK. Since the Walker Review of Private Equity there has been a degree of voluntary disclosure by PE funds (Walker 2007).

From 2013 the implementation of the European Union (EU) Alternative Investment Fund Managers' Directive changes the regulatory environment. HFs will be overseen by the newly-established Financial Conduct Authority, one of the successors to the FSA. Fund managers above a certain size (€100 million AUM for leveraged funds, €500 million for unleveraged funds) will require authorization by the financial regulator. Authorization will be based on disclosure of information about the fund manager, including the size and leverage of the funds under its control. Fund managers are required to disclose ownership of portfolio companies above various thresholds as well as the nature and source of leverage. They will be prohibited from taking dividends from portfolio companies where this puts the capital adequacy of portfolio companies at risk. This particular element of the Directive is directed against 'asset stripping'.

A large number of SWFs manage significant segments of their investments from London. As SWFs do not raise funds in the UK, they are not covered by the regulatory framework governing other NIFs. In response to criticisms that they put non-commercial aims, such as achieving political influence, ahead of investment returns, SWFs have adopted self-regulation in the form of the so-called Santiago Principles. These principles distinguish between the strategic interests of the sovereign state and the commercial, asset management objectives of the SWF (Walker 2011). The extent to which they influence behaviour in the UK is unknown.

The UK has scored consistently highly in the European Private Equity and Venture Capital Association (EVCA) benchmarking survey of national tax and legal environments for PE. Key features are tax transparency of limited partnership fund structures for domestic and non-domestic investors, with no tax liable on the fund itself. In practice, management fees and carried interest are not usually liable for value added tax. The EVCA Survey identified various fiscal incentives for R&D expenditure in investee firms, but also notes that corporation, capital gains tax (CGT), and income tax rates are somewhat above the European average (EVCA 2008).

The tax treatment of PE has received considerable attention in the UK. It was a major issue in a parliamentary investigation in 2007 (Treasury Select Committee 2007). Two issues have attracted particular interest. One is the taxation of the returns to general partners of PE funds; the other is the corporation tax treatment of debt within investee companies.

First, because general partners invest in the fund (typically 1-3 per cent of the fund's value), their return (carried interest) is viewed as a capital gain on a business asset. This has been controversial because payments might alternatively be viewed as a return for services and hence might be subject to income tax. Until 2008, the CGT treatment was very generous, with the tax liability tapering to ten per cent after two years, as compared with the marginal income tax rate for higher rate taxpayers of forty per cent. Following public outcry, the government abolished business assets taper relief in 2008 and replaced it with a flat CGT rate of eighteen per cent (now twenty eight per cent for higher income taxpayers). However, this is still substantially lower than the highest marginal rate of income tax. In addition, the capacity to offset potential capital gains with business expenditure means that general partners usually pay little CGT.

The second area of controversy here is that interest payments on debt used by PE funds to acquire companies can be set against corporation tax paid by the investee company,

given that the debt is typically loaded onto the balance sheet of the acquired companies. It has been suggested that this practice may have an adverse effect on UK tax revenues, with firms owned by PE houses paying low levels of corporation tax.

However, there are some perceived limitations of UK tax law from a PE perspective. One is that the most recent all-employee share ownership plan – the Share Incentive Plan – cannot attract tax benefits for employees when the employing company is under the control of another (i.e. PE fund). EVCA has also drawn attention to the limited concessions for executive incentive schemes, whereby schemes are either unavailable for PE-backed firms, too small in terms of rewards, or are unapproved for tax purposes (meaning that tax charges are liable on the exercise of options rather than the sale of the underlying shares) (EVCA 2011).

Takeovers

As far as mergers and takeovers of listed companies are concerned, there are significant elements of self-regulation via the City Takeover Panel. This has traditionally applied relatively permissive rules. In recent years, however, takeover regulation has become more legally-based, in part responding to EU Directives. But the UK is still a relatively open country for M&As, including hostile takeover bids.

In the UK, there is no generalised ‘public interest’ criteria to be considered when M&As are mounted, and government can only intervene in exceptional circumstances (e.g. where national security or where press plurality is threatened). Instead, the Office of Fair Trading can refer cases to the Competition Commission where there is likely to be a ‘substantial lessening of competition’. Previously, ministers could refer cases on grounds of promoting ‘the balanced distribution of industry and employment’. From 1990 until 2002, the government noted that it would pay particularly close attention to ‘the degree of state control

of the acquiring company'. Dubai Port World's 2006 takeover of P&O might have fallen foul of this provision if it had still been in force.

The UK government recently conducted a consultation on corporate governance with an important focus on takeovers. The backdrop to this was the takeover of UK companies by overseas companies and the role of HFs in provoking or facilitating changes of ownership which are often widely seen as detrimental to UK employees and communities. The case of Cadbury's acquisition by Kraft in 2010 was an important backdrop. The main union confederation, the Trades Union Congress (TUC), called for the creation of an independent M&A commission and for the introduction of an economic test for whether M&As should be allowed to proceed. This economic test would take into account whether the takeover would be beneficial for the target company and also in the interests of employees, local communities, and the wider economy. As a result of this consultation, the government announced a further review into short-termism. This led to the publication of the Kay Review, referred to earlier, in 2012 (Kay 2012). At the time of writing, the policy response by government has yet to be announced.

However, in autumn 2011, the Takeover Panel made a number of amendments to the Takeover Code. These were mainly concerned with ensuring greater transparency, but a potentially important new requirement gives employee representatives (or all employees where there are no representatives) in target companies the right to incorporate their view in the formal response to the acquiring company. This is not likely to affect many PE transactions, because the Takeover Code applies to listed companies, whereas PE is often involved in buy-outs of unlisted firms. However, public-to-private transactions will be affected by this new requirement. It remains to be seen in what ways they are affected.

Labour Regulation

Discussions of business regimes highlight the importance of institutional complementarities (Hall and Soskice 2001; Milgrom and Roberts 1995). In the UK, an emphasis on markets as the primary means of coordinating economic activity extends to labour law and employment protection. Although the weakness of employment rights can be overstated, it is nevertheless the case that barriers to restructuring imposed by labour law tend to be weaker than in many other European countries. It is possible that the relative ease of restructuring makes the UK an attractive site for PE and activist HF activity. Furthermore, it may influence the type of activity, with NIFs more willing to embark upon transactions which require restructuring than in countries with stronger employment protection.

Employment protection

Based on the Organization for Economic Cooperation and Development (OECD) employment protection index, the UK has the lowest level of employment protection in Europe, and is higher only than the US and Canada within the OECD (Venn 2009). On transfer of undertakings, it is important to note that PE takeovers, as share transactions, are not viewed as a change of control which triggers employee rights to information and employment protection under the EU Directive on Safeguarding Employee Rights in the Event of Transfer of Undertakings (transposed into UK law as the Transfer of Undertaking Protection of Employment Regulations or TUPE).³ When shares are sold and the ownership of the company transfers to new owners, this is deemed to have no impact on the contractual relationship between the company and employees being sold: the legal relationship remains unchanged and is identical before and after a sale. If a purchaser subsequently wishes to change any employment conditions, they can do so in exactly the same way as if no sale had occurred.

Worker Voice and Representation

UK employees have rights to information and consultation in various situations, the most relevant here being collective redundancies and M&As. This is not through any specially created legal channel, such as a works council, though these may be established under UK law derived from the EU Information and Consultation Directive. It should be noted that these have not been much used. As stated above, from 2011, a potentially important new requirement in the Takeover Code gives employee representatives (or all employees where there are no representatives) in target companies the right to incorporate their view in the formal response to the acquiring company.

Trade unions also have certain rights to information and consultation in collective bargaining situations. However, the law here is weak and not much used. In the private sector, union membership has fallen to below 20 per cent, the areas covered by collective bargaining have become limited. Bargaining seldom takes place at company level where it most matters for corporate governance (Workplace Employment Relations Survey 2013). It is perhaps significant that in the UK unions have had to resort to public relations campaigns, as seen in the case of the acquisition of the Automobile Association (AA). British unions have therefore not been as successful in organising networks of union representatives as is the case with German works councils. Nor do there seem to be cases where unions have developed relationships with specific PE firms and helped establish ‘beauty contests’ between competing PE houses to see which one offers the best deal for employees at the target firm, as has occurred in some cases in the US (Beeferman 2009).

Impacts on Labour and Employment

The debate on the effects of PE and HFs in the UK has been highly polarized. By contrast, there has been very little debate over the role of SWFs. On the one hand, parts of the financial and academic community argue that the UK benefits from intervention by these funds because they can assist restructuring of under-performing companies. The PE trade

association, the BVCA, argues that long-term employment has grown under PE acquisitions and in the majority of cases industrial relations are conducted amicably with employees. On the other hand, trade unions and others have criticized PE and HFs on the grounds that they maximise returns to their funds at the expense of employees and other stakeholders. The TUC and large member unions, such as UNITE and GMB, have been highly critical of PE in particular, and have mounted a number of political campaigns to change regulatory policy (Clark 2009).

The fundamental argument made against PE in particular is that high returns to investors, coupled with high management fees charged by general partners, require significant shifts of value from other stakeholders such as employees and taxpayers (Watt 2008). On top of this, the substantial role of leverage in the PE model of acquisition restricts the amount of ‘free cash flow’ available for other stakeholders and forces managers to seek efficiencies in running investee companies. As we will see in case studies below, in some sectors debt pressures are intensified by the practice of ‘sale and leaseback’ of properties, with the capital windfalls from selling property often claimed by fund managers as a special dividend, thereby taking capital out of the investee company. The case against PE, then, is that the financing model places pressures on employment and wages. Furthermore, it has been argued that it is a risky business model which places employment at risk in economic downturns and when credit becomes more expensive. Lack of transparency means that value transfers from labour and other stakeholders may well not be evident until after they have taken place. The argument against activist HFs is similar in that they are said to aim to put pressure on firms to increase returns to shareholders by direct resource transfers (share buybacks, special dividends, etc.) and by restructuring (which may involve divestments and redundancies).

Against these claims, it is argued that well-publicised cases of employment loss after NIF interventions tend to be isolated cases where the ‘fundamentals’ of the companies concerned are already uncertain. Besides this, the claims in favour of PE are twofold. The

first is that the duration of PE investments, linked to the lifetime of the PE fund, tends to be several years. As a result, managers in investee companies have the time to implement strategies, which lay the basis for long-term job creation. This is contrasted with the pressures arising from share price movements and quarterly reporting for publicly-listed companies, which force managers into short-term responses (Kay 2012). It also contrasts with the shorter-term perspective of activist HFs. The second is that PE-backed companies acquire better and more incentivised managers, placed there by the fund managers, who implement better quality business strategies and practices. Thus, PE-backed companies are likely to be more successful, thereby encouraging long-term employment growth. It is also argued that better management will use higher quality human resource practices, which will improve the working conditions of employees (BVCA 2012).

Despite the importance of NIFs in the UK, there have been only a limited number of academic studies of their impact. Part of the problem has been that information and data has not been readily forthcoming from the firms themselves. However, as will be listed below, there have been a number of studies of the effects of PE ownership of portfolio companies. Unfortunately, there is very little research to date into the labour effects of HFs and SWFs.

The Evidence Base – Case Study and Econometric Studies

In the past few years, there have been several case studies of PE and HF involvement in UK companies (Clark 2009; Wilke *et al.* 2009; Gospel *et al.* 2010). The PE case studies include a wide variance in employment and industrial relations outcomes. In many cases, PE firms and the new management they install have continued prevailing approaches to work and employment. In other cases, an adversarial situation has arisen and trade unions complain that they have not been informed about the acquisition and about subsequent restructuring plans which have led to deterioration in terms and conditions.

One of the best-known cases is that of the AA, which was acquired by CVC Capital Partners in 2004. Shortly after acquisition, the company derecognised the GMB union, made a significant number of redundancies, and substantially changed working patterns. However, how far these developments can be blamed on PE is open to debate, since it is difficult to judge what the counterfactual situation would have been. Following the initial restructuring, the company recorded an increase in employment.⁴

Anecdotal information on HF interventions suggests that there is rarely direct contact between worker representatives and HFs and that the activist plans of HFs do not intervene as deeply into employment conditions and industrial relations. However, the Cadbury case shows how labour and employment may be affected by HF activism. In that case, these interventions were associated with changes of strategy and divestments by the company, and these in turn had adverse effects on employment. The subsequent sale of the company to Kraft may have resulted from the initial HF interventions and was certainly affected by HF interventions during the actual takeover process. Nevertheless, it is difficult to isolate the effects on employment and jobs in that company because the linkages are indirect.

We know of one case study of the impact of SWF activity on labour in the UK (Wilke *et al.* 2009). This concerns Dubai Ports World's takeover of P&O in 2006. This attracted some attention in the UK and considerably more in the US because of fears that major ports would fall under foreign control. In the immediate aftermath of the takeover, there was some reduction in ferry operations, some changes in pension arrangements, and a seemingly greater desire on the part of management to deal with a works council rather than the trade unions. However, some of the changes may have occurred anyway and unions continued to be recognised.

There are several quantitative studies of PE portfolio firms in the UK, mainly conducted under the aegis of the Centre for Management Buy-out Research at Nottingham University⁵ (see Wright, Gilligan, and Amess 2009; Gilligan and Wright 2010, and Bacon *et*

al. 2013 for overviews). For the most part they use material collected from the PE sector as well as portfolio companies' annual published accounts and cover the several waves of PE backed buy-outs since the early 1980s. The evidence is mixed with some studies showing employment reductions and others indicating little change. The studies also suggest that the nature of buy-outs affects what happens subsequently.

Amess, Girma, and Wright (2008) compare the employment effects of leveraged buy-outs (LBOs) and traditional acquisitions against a large control group. They find a 4.5 per cent fall in employment in the immediate aftermath of LBO transactions, but insignificant effects in the longer run. By contrast, traditional acquisitions significantly reduce employment compared with the control group for up to three years post-transaction. They break down the LBO group into those backed and those not backed by PE. The PE-backed group have no significant employment changes relative to the control group, but the non-PE backed group show significant falls. Cressy, Munari, and Malipiero (2007) compare 48 UK PE-backed buy-outs with a matched sample of 84 companies over a five year period and find that employment falls in the PE sample over four years. However, they find that job cuts are associated with higher operating profits, which in turn contribute to job creation. Amess and Wright (2007) compare the employment effects of management buy-outs (MBOs) and management buy-ins (MBIs) (PE is more usually associated with the latter) and find that MBIs have a small negative impact on employment whereas MBOs have a positive effect. They find that wage growth is slower in both MBOs and MBIs than in comparable firms.

Goergen, O'Sullivan, and Wood (2011) argue that previous studies do not clearly distinguish private-equity mounted buy-outs from those mounted by either internal or external managers with VC or PE fund support. They suggest that PE buy-outs ('institutional buy-outs') are likely to have more adverse effects on employment than MBOs and MBIs because they typically replace the incumbent management and are thus more likely to break implicit contracts with employees. They also make greater use of leverage, which can restrict the

proportion of returns that are available for labour. The authors find that institutional buy-outs have lower turnover and profit per employee pre-buy-out than a sample of matched firms but this difference becomes insignificant after the buy-out. At the same time, employment growth becomes significantly lower than the matched firms after the buy-out, though there is no significant change in profitability. Meuleman *et al.* (2009) show that UK buy-outs backed by more experienced PE firms and buy-outs of divisions have higher growth in employment than other types of PE backed buy-out, while Weir *et al.* (2008) show that public-to-private buy-outs tend to experience employment declines.

A survey of buy-outs and buy-ins in the UK and Netherlands finds that employee involvement, job flexibility, and training all increase after the buy-out (Bacon *et al.* 2008). However, it has been shown that PE-backed buy-outs are less likely to use high commitment work practices than buy-outs which are not backed by PE. Amess, Brown, and Thompson (2007) find that employees in buy-out firms have more discretion over their work practices than comparable workers at non-buy-out firms.

There are fewer studies focusing on the impact of NIF on industrial relations. The evidence to date suggests that there is little impact overall on the incidence of collective labour institutions but that these institutions have little impact on buy-outs and restructuring. One study suggests that five per cent of buy-outs remove union recognition at the buy-out, but the level of union recognition subsequently increases back to pre-buy-out levels (Bacon, Wright, and Demina 2004). A survey of buy-out firms with more than fifty employees in 2008 found that the incidence of any form of consultation committee increased from forty two to fifty nine per cent in LMEs (the LME sample being mainly UK firms) (Bacon *et al.* 2010). The incidence of joint consultative committees, works councils at establishment level, and a European works council was unchanged. Consultation during the buy-out itself, however, was minimal: in fifty nine per cent of cases employee representatives were not informed about the buy-out and in only four per cent of cases were they consulted. The authors argue that,

whilst there does not appear to be a need to provide specific protection for information and consultation after buy-outs, there could be a case for a requirement for greater information disclosure to, and joint consultation with, employee representatives during the buy-out itself (Bacon *et al.* 2010: 22).

It is difficult to summarise the evidence-based papers, especially given different data sources and methodologies. However, we would conclude as follows. The evidence we have on HFs and SWFs is very limited and it is difficult to draw definitive conclusions. However, case study material suggests that they can have significant indirect effects. As for PE, it is clear that at the time of acquisition, PE houses do not consult with employees, but also that after acquisition for the most part they do not change industrial relations arrangements. There is some evidence that acquisition by PE does initially have a negative effect on employment. However, there is some evidence that in the longer term they may have a more positive effect on employment.

The Financial and Economic Crisis since 2007

The number of PE deals in the UK fell significantly with the beginning of the credit crisis in 2007, though there has been some recovery since 2010. The value of buy-outs fell dramatically, from £68 billion in 2007 to £6.3 billion in 2009 (CMBOR 2010). In 2009, there were only nineteen buy-outs valued between £50 and £500 million. Public-to-private buy-outs fell to fifteen, whilst secondary buy-outs fell to twenty seven. The use of funds by PE houses shifted somewhat. from mounting buy-outs to providing capital for growth and mezzanine funding: sixty two per cent of funding allocations went to buy-outs in 2011 compared with ninety three per cent in 2008; twenty per cent was used for growth capital and nearly thirteen per cent for mezzanine funding in 2011 compared with three per cent and zero respectively in 2008 (EVCA 2012).

The value of funds raised by PE houses fell from \$46 billion to £5.6 billion in 2009. It subsequently increased to £9 billion in 2010 and £16 billion in 2011 but is still a long way below 2007 and 2008 levels (EVCA 2012). A major shift in investors has taken place with the role of SWFs in PE increasing from 4.5 per cent of capital raised in 2008 to just under sixteen per cent in 2011. At the same time allocations from pension funds reduced from over thirty six per cent to just over twenty three per cent (EVCA 2012).

The expectation is that PE-backed companies would be highly vulnerable to the recession from 2007 because of their high levels of leverage. Yet, there is evidence to the contrary. Wilson *et al.* (2012) find that PE buy-outs experienced higher growth, productivity, profitability, and improved working capital management, relative to comparable private and public firms during the recession. They attribute this in part to PE firms taking timely action to assist their investee companies. According to this study, there appears to be little difference between PE-backed firms and matched private companies in the annual change in employment from 2007 to 2009.

A smaller scale study of larger PE-backed companies by the BVCA (2012) finds that overall employment grew during 2010 by 1.2 per cent compared with a decline of 0.2 per cent in FTSE All Share companies. ‘Organic’ employment (i.e. excluding the effects of acquisitions and divestments) grew by 0.2 per cent compared with a decline of -1.3 per cent in the economy as a whole. They also exhibited an improvement in their debt to EBITDA (earnings before interest, tax, depreciation, and amortisation) ratio since acquisition (from 7.9 to 7.0) (BVCA 2012).

A major area of difficulty for PE funds since 2007-08 has been exit. The opportunities for successful initial public offering (IPOs) have been considerably reduced, despite the growth in asset values during 2009, and several major IPOs were postponed in 2010. The value of IPOs dropped in 2009 to less than £0.5 billion, and further still in 2010, though with recovery to around £2 billion in 2011 (Kay 2012: 23). Similarly, the opportunities for selling

firms to other PE houses have also been reduced, although the first quarter of 2010 saw an increase in secondary buy-outs (CMBOR 2010). Faced with these difficulties, and with a decline in returns, some PE firms have faced pressures from investors for withdrawal of their funds. However, as the market recovered in 2010, these pressures subsided. Also, the unattractiveness of the IPO route for exiting businesses provides an opportunity for PE to acquire businesses through trade sales.

Overall, the credit crisis has posed considerable challenges for the PE business model. Reliant on high levels of leverage in most cases, restrictions on the supply of credit have inhibited re-financing deals leading to costly increases in debt. In turn, this has added to the difficulties in exiting investments. On the other hand, the crisis has created new opportunities for PE funds focusing on turnaround situations.

Evidence on the response of activist HFs to the financial crisis is harder to come by. US data suggests that HFs significantly reduced their equity holdings during the crisis, especially in volatile and liquid stock (Itzhak, Franzoni, and Moussawi 2012). However, there is no comparable information for the sub-group of HFs with activist strategies in the UK. Anecdotal evidence suggests that UK activist HFs became more quiescent: the main UK activist fund TCI retreated from activism during 2007-9. More recently, activist funds have become more active again, though so far no cases have hit the headlines in the same way as Cadbury. The crisis created opportunities for some HFs, such as those specializing in purchasing distressed debt. However, the recent decline in the number of M&As has limited the potential for those HFs focusing on special events.

Similarly, SWFs were reluctant to invest in UK companies during the recession and retreated from others, as seen above. The case of the Dubai funds has also raised another spectre viz. that some SWFs may have overreached themselves in terms of involvement and acquisition and this may have future restructuring implications. However, substantial SWF investments have continued in financial services, in retail, and in infrastructure.

The challenges faced by NIFs in the economic and financial crisis can be illustrated by some well-known cases in the UK drawn from the retail and social care sectors. Before the global financial and economic crisis, the retail sector was attractive to PE for several reasons - rising consumer demand, an absence of foreign competition, and significant property assets. Social care was attractive for similar reasons – apparently assured income streams and in some cases substantial real estate portfolios.

In retail, the case of Focus exemplifies the pressures arising from the recession, and the potential impacts on labour. The company was established in the 1980s, as a privately-owned, do-it-yourself home improvement chain. In 1998, Duke Street Capital made a £68m investment in the company which was used, along with borrowings, to buy two competitors, Wickes and General Mills. In 2002, Duke sold a stake to Apax Partners for £340m, and Apax was said to have made a further £120m investment in the business. On the basis of this, Focus grew to be the second largest home improvement chain in the UK, with around 430 stores and 4,000 employees. However, in 2005, the recently acquired Wickes, which was the most profitable part of the business, was sold on to another competitor. Through this and other sales and dividends, the two PE firms were reported to have taken £1bn out of the business by the mid 2000s.

However, by this time, Focus was beginning to suffer. Its key problems were debt servicing, rents on those stores which had been sold and leased back, and the sale of the most profitable part of the company. In early 2007, another PE house, Cerberus Capital, bought Focus in a £225m deal, which involved it acquiring the debt at a considerable discount and buying the equity for a nominal sum. Cerberus was said to have injected an undisclosed amount of new capital into the company. However, by this time, with the onset of recession and a downturn in the home improvement market, pressure on the company had grown. In an attempt to recoup its mounting losses, Cerberus began to sell stores, closed others, and made staff redundant. This was to no avail, and, in early 2011, Cerberus put Focus into bankruptcy.

Subsequently, the administrator sold 55 stores, employing 900 staff, to competitors and closed 125 stores, purportedly employing around 2,000 staff. Two other aspects of PE ownership are notable from a labour perspective. First, in an unusual move, in 2008, the UK regulator, the Pension Protection Fund, ordered Duke Capital to make a retrospective payment of £8m into the company pension scheme. The case was that the sale of Wickes and the resultant dividend had benefited the PE owner, but had significantly weakened the employee pension scheme which had been shifted onto the weaker remaining part of the company. Second, in 2012, an employment tribunal found that the company had failed to consult with employees and their union at the time of redundancy and 2,000 staff were awarded compensation payments as a result.⁶

Turning to social care, the case of Southern Cross Care Homes illustrates the kind of problems which the PE model can experience when economic conditions become unfavourable. Southern Cross was founded in 1996 and at its peak in the late 2000s was the UK's biggest care operator, with 31,000 residents and 40,000 staff. Before its collapse in 2011, it went through a number of owners. In 2002, the then top management, backed by West Private Equity, acquired the company in an £80m MBO. Subsequently, in 2004, a secondary buy-out of the business by the management and Blackstone Capital followed at a price of £162m. Blackstone later acquired Nursing Home Properties (NHP) for £564m and the Ashbourne Group of care homes for £85m. This in turn led to a competition enquiry by the UK Office of Fair Trading which cleared the acquisitions.⁷

As is common in PE-acquired businesses with substantial property assets, the care homes themselves were sold to NHP, by now part-owned Qatar SWF QIA. In turn, NHP sold off around half the homes to other landlords. These sales generated a substantial return for Southern Cross, but meant that a sizeable proportion of future income from patients' fees had to be devoted to property rents. Meanwhile, these rental contracts stipulated annual increases which, in the view of the trade union GMB (which represented about a quarter of Southern

Cross's employees), were in excess of market norms.⁸ At the same time, with the pressure on public finances arising in the recession, local authority funding was being capped. In addition, occupancy rates in Southern Cross homes were falling. This was in part attributed to poor standards of accommodation (and low assessments in inspections by the regulator, the Care Quality Commission) stemming from low investment by Southern Cross and NHP. In the meantime, Blackstone had exited, having floated the company at the end of 2007.

Southern Cross responded to this squeeze by seeking to renegotiate rents, but was largely unsuccessful. The developing situation received considerable adverse press publicity and was widely seen as a case of asset stripping and of the vulnerability of the 'sale and leaseback' model. Ever mounting difficulties in 2011 led to the collapse of the company and the transfer of its care home operations to other care operators (some of which, as will be seen below, were also owned or about to be acquired by PE). In the run up to the collapse, homes were closed, wage cuts threatened, and around 3,000 staff made redundant.

Equally, NIFs equity can provide injections of capital which can rescue failing businesses. Four Seasons Health Care is a good case in point. Until the late 1990s, Four Seasons was a small Scottish operator of care homes. In the early 2000s, it grew rapidly, largely by acquisitions, and in 2007 it was acquired by the Qatar SWF for £1.4bn, with advice from a HF, Three Delta. The Qatar fund itself put up only £50m and the rest was funded by debt, a significant proportion of which came from RBS which was massively extending investment activities at the time. In this context, Four Seasons further expanded, acquiring more homes and running up more debt. However, it received a number of unfavourable inspection reports⁹ and the Qatar fund, fearing bad publicity and having fallen out with Three Delta, began to lose faith in its investment. At this point, a number of HFs, specialising in distressed debt, began to short the company and buy debt at a discounted rate. In late 2009, RBS (now largely owned by the UK government) was pressured to intervene and took a 40 per cent stake in the company's debt, with the UK taxpayer taking a big write-off of the debt

which had been run up under Qatari ownership. This enabled the company to continue to operate and indeed to take over some of the homes previously run by Southern Cross.

In effect, a ‘white knight’ investor was required and this emerged in summer 2012 in the somewhat unlikely person of Guy Hands, whose Terra Firma PE fund had recently suffered a debacle with the acquisition of the EMI music group. At the time, Terra Firma was said to need to use up unspent money and was looking to switch from glamorous ‘growth’ acquisitions to buying ‘distressed’ companies which nevertheless offered relatively safe prospects. Terra Firma paid £825m, supported by Goldman Sachs and Barclays.

Now the UK’s largest care operator, Four Seasons seems to offer securer care for its 20,000 residents and 30,000 staff. The company has also moved into higher dependency care, which is a growth part of the sector and offers higher profits. It has also announced that it will seek a fifty per cent balance between owned and rented properties, so as not to be overexposed to rental costs. In labour terms, Four Seasons has never recognised trade unions, unlike many larger employers in the sector, and this policy continues. The unions concede that jobs are now more secure, but that wages in the company are increasingly polarised between top management and employees.¹⁰

Conclusions are difficult to draw from a small number of cases. Nevertheless, we suggest the following. First, it is clear that PE, HFs, and SWFs have become increasingly interlinked, with SWFs investing with PE and with HFs looking to take advantage of events which involve PE. Second, in recession, falling demand, high levels of debt, and the ‘sale and leaseback’ model can constitute a real threat to the existence of fund-backed companies. Third, acquisition and involvement by NIFs, especially where high levels of debt and property sales are utilised in the business model, can clearly have negative effects on employment and terms and conditions. However, the intervention by PE and SWFs can also support growth and help save distressed companies.

Conclusions

The UK represents a case in which a broad variety of employment outcomes have resulted from PE, HFs, and (to a lesser extent) SWF investment. These have been moderated by both the strategies of the funds and the regulatory context in which they operate. The UK has represented an important area of activity for PE investors, as shown by the large number of funds and the extent of their activity. This is to be explained by several factors: the openness of the City of London and its connections with New York; the demand for PE due to corporate restructuring and opportunities for activist HFs; a friendly legal and tax framework; and the relative weakness of industrial relations-type constraints. SWFs have also found the UK fertile ground because of the more general openness of the British economy.

In terms of labour outcomes, it would seem that fund involvement does not mean either an automatic ‘win-win’ situation for both sides nor an inevitable ‘zero-sum’ situation where workers are negatively affected. Rather, outcomes appear to be dependent on factors such as the type of fund and its strategy, its willingness to work with employees, and the possibility of adverse public scrutiny and criticism. Overall, PE has had more effect than HFs, except in certain key situations HFs can have a significant effect on the fate of a company and have major employment implications. SWFs have had the least effect.

As for PE, it is clear that at the time of acquisition, PE houses do not consult with employees, but also that after acquisition for the most part they do not change industrial relations arrangements. There is good evidence that the acquisition of a company by PE does initially have a negative effect on employment; this undoubtedly creates disturbance for the employees concerned; however, there is some evidence that in the longer term they may have a positive effect on employment. It is uncertain whether they have an effect on wages, benefits, and other aspects of working lives.

Notes

¹ In 2011 UK PE funds invested in 233 buy-outs and 377 new ventures (EVCA 2012).

² These apply to both PE funds and their portfolio companies, where the latter were acquired in a public to private transaction exceeding £300 million and more than fifty per cent of revenues are generated in the UK and there are more than 1,000 full time employees or in a secondary transaction in excess of £500 million and fifty per cent of revenues come from the UK and where there are more than 1,000 employees.

³ 2001/23/EC. This replaces Directives 77/187/EC (the Acquired Rights Directive) and 98/50/C.

⁴ See I. Clark (2009), 'Private Equity and Union "Recognition" at the AA', mimeo University of Birmingham, provides the story from the GMB perspective. We would like to thank Ian Clark for discussions about this case, and also Mike Wright, University of Nottingham for the provision of other information and also for discussions. See also Work Foundation (2007), *Inside the Dark Box: Shedding Light on Private Equity*, Work Foundation. London.

⁵ This centre is now based at Imperial College, London.

⁶ See the following: the Insolvency Service, Annual Report and Accounts 2011-2012, London, Stationery Office, p.22 and <http://www.pensionprotectionfund.org.uk/transferredschemes/pages/alltransferredschemes.asp>

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⁷ For various government reports, see <http://www.oft.gov.uk/OFTwork/mergers/decisions/2005/blackstone;> [http://www.dh.gov.uk/health/2012/12/provider-failures/;](http://www.dh.gov.uk/health/2012/12/provider-failures/) [http://www.cqc.org.uk/media/cqc-warns-southern-cross-healthcare-it-failing-protect-safety-and-welfare-people.](http://www.cqc.org.uk/media/cqc-warns-southern-cross-healthcare-it-failing-protect-safety-and-welfare-people)

⁸ GMB Union (2011).

⁹ See various Care Quality Commission reports for 2008 and 2009.

¹⁰ For an earlier statement of the company's opposition to trade unions see Central Arbitration Committee, Case Number TURI/487/2006 Community v. Four Seasons Health Care; The Guardian 11 December 2012.

http://www.gmb.org.uk/gmb_campaigns/gmb_campaigns/southern_cross.aspx.